Third Quarter 2018

AF Gruppen ASA

Q3

From the CEO

AF Gruppen continues its growth and delivered a solid result in Q3. In the civil engineering business area, growth was 65 per cent compared to the same period last year. We have several large projects in production and after the end of the quarter AF Gruppen signed a final agreement with Nye Veier for the planning and construction of the new E39 Kristiansand West – Mandal East. With a value of NOK 4 700 million, excluding VAT, this is the largest single contract in AF's history. The contract gives us good opportunities to develop the expertise we have acquired together with the client and partners through the E18 Tvedestrand-Arendal project.

The acquisition of Helgesen Tekniske Bygg AS (HTB) will strengthen operations in Western Norway and build on LAB's strong position in the region. With the agreement of intent to acquire 70 percent of the Swedish company HMB Holding AB (HMB), we will also take an important strategic step into the Swedish market.

Strong growth must not be at the expense of safe and profitable operations. So I am very pleased that we are delivering good margins and a strong result.

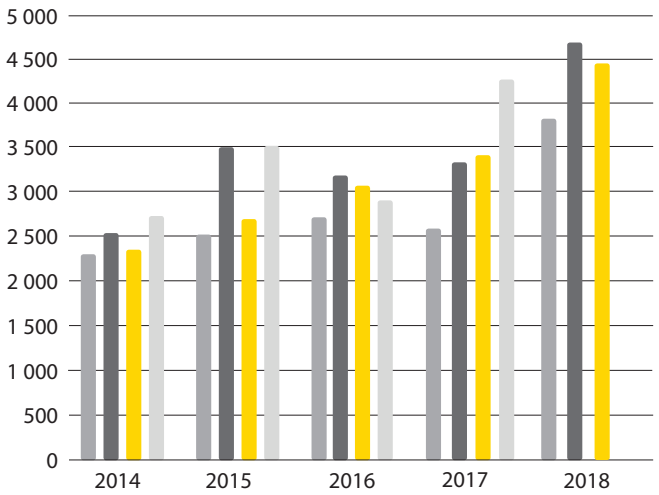
AF has always been proud of its strength and ability to perform complex tasks. The group's entrepreneurial spirit has been characterised by the ability and will to think differently and to find better, more future-oriented ways to generate value.

Addressing Future

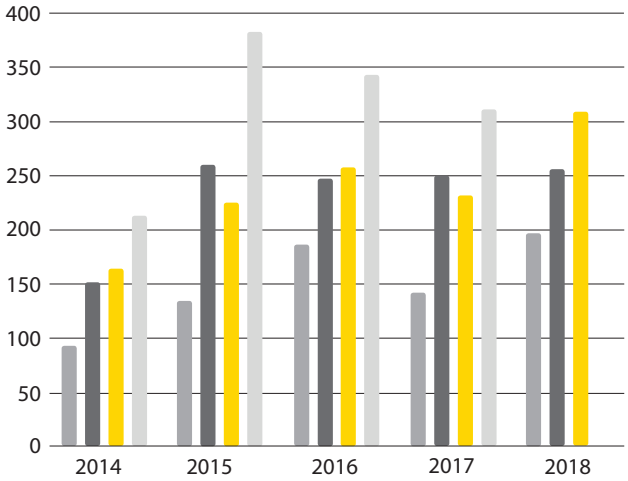
HIGHLIGHTS

- Revenues were NOK 4 536 million (3 399 million) in the 3rd quarter and NOK 13 111 million (9 408 million) year to date.
- Earnings before tax were NOK 313 million (232 million) in the 3rd quarter and NOK 764 million (625 million) year to date.
- Profit margin was 6.9% (6.8%) in the 3rd quarter and 5.8% (6.6%) year to date.
- Net operating cash flow was NOK 100 million (410 million) in the 3rd quarter and NOK 260 million (1 029 million) year to date.
- The order book stood at NOK 18 920 million (20 183 million) as at 30 September 2018.
- Net interest-bearing receivables were NOK 680 million (1 068 million) as at 30 September 2018.

REVENUES PER QUARTER (NOK MILLION)



EARNINGS BEFORE TAX PER QUARTER (NOK MILLION)



The new Deichmanske library, Foto: AF Gruppen

SUMMARY OF 3RD QUARTER

Key figures (NOK million)	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and other income	4 536	3 399	13 111	9 408	13 704
EBITDA	364	273	891	750	1 092
Earnings before finacial items and tax (EBIT)	315	230	756	626	924
Earnings before tax (EBT)	313	232	764	625	935
Result per share (NOK)	2,24	1,44	5,10	4,09	6,43
EBITDA margin	8.0 %	8.0 %	6.8 %	8.0 %	8.0 %
Operating profit margin	7.0 %	6.8 %	5.8 %	6.7 %	6.7 %
Profit margin	6.9 %	6.8 %	5.8 %	6.6 %	6.8 %
Return on capital employed (ROaCE)1)	-	-	51.3 %	44.2 %	42.7 %
Cash flow from operating activities	100	410	260	1 029	1 354
Net interest-bearing receivables (debt)	680	1 068	680	1 068	1 210
Equity ratio	25.9 %	26.4 %	25.9 %	26,4 %	26.9 %
Order backlog	18 920	20 183	18 920	20 183	19 773
LTI-1 rate	0,3	0,7	0.8	1,0	1,1
Absence due to illness	3.1 %	2.6 %	3.3 %	3.0 %	3.0 %

[1)] 12-month rolling average

Sweden was established as a new business area for AF Gruppen as of 1 January 2018. The new business area consists of the units AF Härnösand Byggreturer, Kanonaden Entreprenad and subsidiaries, Pålplintar, AF Bygg Gothenburg, AF Bygg Syd and AF Projektutveckling.

All the numbers from the business areas for 2017 have been restated in accordance with the new structure so that they are comparable.

New E6 Soknedal

BUSINESS AREAS

Civil Engineering

MNOK	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and income	1 485	900	4 212	2 394	3 569
Earnings before financial items and tax (EBIT)	57	59	164	161	249
Earnings before tax (EBT)	60	63	180	167	269
Operating margin	3.8 %	6.6 %	3.9 %	6.7 %	7.0 %
Profit margin	4.0 %	7.0 %	4.3 %	7.0 %	7.5 %

The Civil Engineering business area encompasses AF's civil engineering activities in Norway.

Civil Engineering consists of two business units:
- AF Anlegg
- Målselv Maskin & Transport

The Civil Engineering business area reported revenues of NOK 1 485 million (900 million) for the 3rd quarter. This corresponds to growth totalling 65 per cent compared with the same quarter last year. Earnings before tax were NOK 60 million (63 million). Revenues totalled NOK 4 212 million (2 394 million) and earnings before tax totalled NOK 180 million (167 million) year to date.

AF Anlegg reported a very high level of activity for 3rd quarter as well. Strong growth resulted in reduced earnings. Målselv Maskin & Transport reported good results for both the quarter and year to date.

Civil Engineering signed an agreement with Bane NOR for the completion of the building and construction work after the drill & blast contract for the Follo Line in the 3rd quarter. The contract includes the remaining site preparation and concrete work for the inbound Østfold Line, as well as the Follo Line from the TBM contract to the open air zone at the Medieval Park. This includes, among other things, the establishment of drainage and the construction of a pump basin, substructure and lining, as well as portals in the tunnel system. The work commenced in September 2018 and will last for approximately one year. The contract is valued at approximately NOK 400 million, excluding VAT.
After the end of the quarter, AF Gruppen signed a final agreement with Nye Veier for the planning and construction of the new E39 Kristiansand West – Mandal East. The project comprises 19 km of new four-lane motorway with a 110 km/h speed limit from Kristiansand West to Mandal East. Work includes several tunnels and bridges, including the 4 km Søgne tunnel and the 520 m Trysfjord bridge. AF has Norconsult as consultant and Kruse Smith Entreprenør as subcontractor. The work commenced in November 2018, and completion is scheduled for October 2022. This contract is valued at NOK 4 700 million, excluding VAT, and has not been included in the order backlog as at 30 September 2018.

The order backlog for Civil Engineering stood at NOK 4 619 million (6 913 million) as at 30 September 2018.

Demolition for Boliden Aitik

Environment

MNOK	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and income	142	147	451	373	474
Earnings before financial items and tax (EBIT)	11	7	30	19	28
Earnings before tax (EBT)	10	6	29	18	27
Operating margin	7.5 %	4.5 %	6.7 %	5.0 %	5.9 %
Profit margin	7.3 %	4.4 %	6.5 %	4.9 %	5.8 %

The Environment business area encompasses AF's services related to demolition and recycling onshore in Norway.

The business area consists of a single business unit:
- AF Decom

Environment also has operations in Rimol Miljøpark, Nes Miljøpark and Jølsen Miljøpark.

Environment reported revenues of NOK 142 million (147 million) and earnings before tax of NOK 10 million (6 million) for the 3rd quarter. Revenues totalled NOK 451 million (373 million) and earnings before tax totalled NOK 29 million (18 million) year to date.

There is a good market for environmental services. AF Decom had a high level of activity and performed well operationally in the 3rd quarter. The unit reported good results for the quarter.

Rimol Miljøpark in Trondheim and Jølsen Miljøpark in Lillestrøm both saw a high level of activity in the 3rd quarter and delivered very good results. The new environmental centre at Nes in Akershus has been completed, has already started to receive materials and delivered good results for the quarter. The environmental centre will be the first of its type in Eastern Norway, and it will contribute to the recycling of up to 80% of the materials that would have otherwise ended up at traditional disposal sites.

The order backlog for the Environment business area stood at NOK 212 million (316 million) as at 30 September 2018.

Wang Ung, Oslo

Building

MNOK	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and income	2 150	1 842	6 216	5 088	7 474
Earnings before financial items and tax (EBIT)	158	134	388	323	467
Earnings before tax (EBT)	162	138	404	333	481
Operating margin	7.3 %	7.3 %	6.2 %	6.4 %	6.3 %
Profit margin	7.6 %	7.5 %	6.5 %	6.5 %	6.4 %

The Building business area encompasses activities related to new building and renovation in Norway.

The Building business area is divided into eight business units:
- AF Bygg Oslo
- AF Byggfornyelse
- AF Nybygg
- AF Bygg Østfold
- Strøm Gundersen and subsidiaries
- MTH and subsidiaries
- EIQON and subsidiaries
- LAB and subsidiaries

The Building business area reported revenues of NOK 2 150 million (1 842 million) for the 3rd quarter. Earnings before tax were NOK 162 million (138 million). Revenues totalled NOK 6 216 million (5 088 million) and earnings before tax totalled NOK 404 million (333 million) year to date.

There is a high level of activity in the building market in Norway. Building reported a high level of activity for the 3rd quarter and good quarterly results overall. AF Bygg Oslo, MTH and AF Nybygg reported very good results for the 3rd quarter. AF Byggfornyelse, LAB, EIQON and Strøm Gundersen reported a high level of activity and delivered good results for the quarter. AF Bygg Østfold delivered results somewhat below expectations in the 3rd quarter.

LAB AS signed a final agreement after the end of the quarter to acquire 70% of the shares in Helgesen Tekniske Bygg AS (HTB). HTB is a well-run company with an excellent track record since being established as a company in 1987. The company's business concept is to guide projects from the concept phase to a finished building, and the company works closely with the customers in the project development phase. The main focus is on industrial and warehouse buildings, shopping centres and office buildings. Over the last three years, HTB has reported average revenues of NOK 335 million and an operating margin of 6.5%. See Note 3 for more information.

After the end of the quarter, LAB Entreprenør was awarded a new contract by the Bergen Health Trust related to a new Children's and Adolescents' Hospital (BUS2) at Haukeland University Hospital in Bergen. Contract K202 encompasses all the internal structural work, as well as a Clean, Dry Building and waste management for all the contracts in the project. The project will be carried out as a general contract and is valued at NOK 339 million, excluding VAT.

Building's order backlog was NOK 10 273 million (9 657 million) as at 30 September 2018.

Construction City, Ulven in Oslo

Property

MNOK	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and income	11	4	64	15	21
Earnings before financial items and tax (EBIT)	82	12	143	53	78
Earnings before tax (EBT)	79	8	134	42	64
Operating margin	-	-	-	-	-
Profit margin	-	-	-	-	-

The Property business area develops residential units and commercial buildings in Norway. The activities take place in geographic areas where AF has its own production capacity. The development projects are primarily organised as partly-owned companies that are consolidated in accordance with the equity method of accounting. The earnings that are consolidated in AF correspond to the earnings after tax multiplied by the ownership interest.

Property reported earnings before tax of NOK 79 million (8 million) for the 3rd quarter. Earnings before tax were NOK 134 million (42 million) year to date. Earnings were marked by the sale of a commercial property at Hasle in Oslo.
The market in Greater Oslo is now marked by cautious optimism among the residential buyers. A total of 65 (17) apartments were sold in the 3rd quarter, and AF's share was 25 (7). The sales ratio for projects in progress was 72%.

As at the 3rd quarter, Property had ownership interests in residential property projects with a total of 308 (222) units for sale. AF's share was 127 (110). Of these, there was a total of 1 (7) unsold completed apartment, of which AF's share was 0.3 (3).

Property has six residential property projects with a total of 926 apartments under construction, of which AF's share is 364:
- Krydderhagen at Hasle (218 apartments)
- Thurmannskogen in Lørenskog (138 apartments)
- Lillo Gård at Nydalen (268 apartments)
- Nye Kilen Brygge in Sandefjord (76 apartments)
- Lilleby Triangel in Trondheim (97 apartments)
- Skiparviken in Bergen (129 apartments)

For further information, see Note 7 on page 32.

As at the 3rd quarter, Property had ownership interests in three commercial projects under construction in Oslo, with a gross floor area of 44 755 square metres (AF's share was 20 597 sqm GFA):
- Lille Gård Shops at Nydalen (6 354 sqm GFA)
- Atea Building at Hasle (18 333 sqm GFA)
- K4 hotel and offices at Hasle (20 068 sqm GFA)

Hasle Linje Næring DA signed an agreement in the 3rd quarter concerning the sale of the Bøkkerveien 5 and Haslevangen 16 properties at Hasle in Oslo to Höegh Eiendom. Höegh Eiendom owns 49.5% of Hasle Linje Næring DA, while AF Gruppen also owns 49.5% and the remaining 1% is owned by Vind AS. Bøkkerveien 5 is an office building with a gross floor area of 15 144 square metres. The main tenant in the building is Securitas, who moved in during the first quarter of 2018. The building was valued at NOK 610 million in the transaction. Haslevangen 16 is a school with a gross floor area of 3 011 square metres, and Wang Ung is the tenant. The building was valued at NOK 135 million in the transaction. Bøkkerveien 5 was handed over in the 3rd quarter, while Haslevangen 16 will be handed over in the 4th quarter.

AF has an ownership stake in a building site inventory (residential units under construction) in Norway that is estimated to yield 1 878 (2 321) residential units. AF's share of this is 782 (944) residential units. In addition, AF also has an ownership stake in commercial property under construction with a gross floor area of 53 683 (92 084) square metres. AF's share of this is a gross floor area of 26 264 (45 273) square metres. LAB and Målselv Maskin & Transport have development rights that are included in the figures.

Lindhøy Energy central

Energy

MNOK	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and income	69	61	193	171	244
Earnings before financial items and tax (EBIT)	0	4	-2	15	20
Earnings before tax (EBT)	-1	4	-5	15	22
Operating margin	0.2 %	7.2 %	-0.9 %	8.5 %	8.2 %
Profit margin	-0.9 %	7.4 %	-2.6 %	8.6 %	9.1 %

The Energy business area encompasses AF's energy services for onshore activities.

The business area consists of a single business unit:
• AF Energi & Miljøteknikk and subsidiaries

Revenues for the 3rd quarter were NOK 69 million (61 million) and earnings before tax were NOK -1 million (4 million). Revenues totalled NOK 193 million (171 million) and earnings before tax totalled NOK -5 million (15 million) year to date.

The energy services market is good, and the size of the contracts is increasing at the same time. AF Energi & Miljøteknikk saw an increasing level of activity in the 3rd quarter, but the unit delivered poor results. Projects in renewable energy and the operations in the Baltic States delivered results below expectation, while EPC and service projects delivered satisfactory results.

AF Energi & Miljøteknikk has had many EPC contracts in the analysis phase, and several of these are in the process of being converted to projects to be executed.

The order backlog for Energy stood at NOK 244 million (301 million) as at 30 September 2018.

Glashuset, Halmstad

Sweden

MNOK	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and income	475	368	1 612	1 119	1 611
Earnings before financial items and tax (EBIT)	20	18	87	59	83
Earnings before tax (EBT)	20	18	86	59	82
Operating margin	4.2 %	4.8 %	5.4 %	5.3 %	5.2 %
Profit margin	4.1 %	4.9 %	5.3 %	5.3 %	5.1 %

The Sweden business area encompasses activities related to building, civil engineering, property and environmental activities in Sweden.

The business area consists of six business units:
- Kanonaden Entreprenad and subsidiaries
- Pålplintar
- AF Bygg Göteborg
- AF Bygg Syd
- AF Projektutveckling
- AF Härnösand Byggreturer

Sweden reported revenues of NOK 475 million (368 million) and earnings before tax of NOK 20 million (18 million) for the 3rd quarter. Revenues totalled NOK 1 612 million (NOK 1 119 million) and earnings before tax totalled NOK 86 million (NOK 59 million) year to date.

The Swedish civil engineering market is hesitant and marked by strong competition. Kanonaden Entreprenad reported good results for the 3rd quarter. Pålplintar delivered weak results for the quarter.

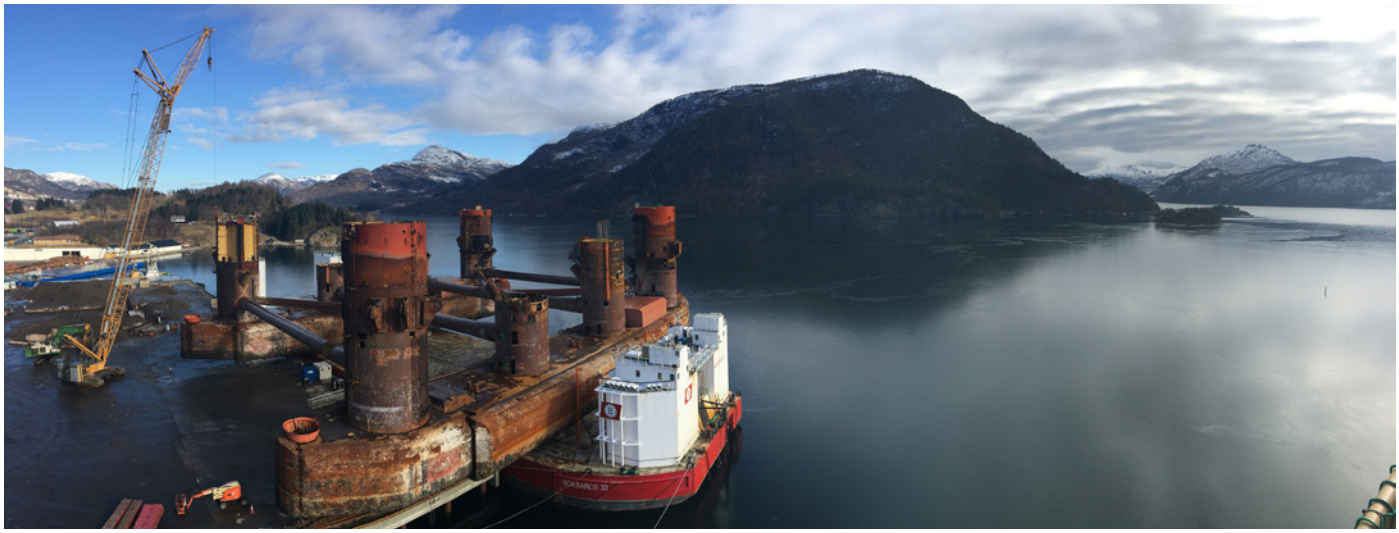
In Sweden, the residential market is somewhat more hesitant than in Norway. AF Projektutveckling does not have any projects in the production phase but has some projects in the development phase. AF Bygg Göteborg delivered results somewhat below expectations, while AF Bygg Syd delivered good results for the quarter.

The market for environmental services is also good in Sweden. AF Härnösand Byggreturer reported a high level of activity and very good profitability for its projects. The unit also delivered very good results for the 3rd quarter.

In October AF Gruppen signed a letter of intent to acquire 70 % of the shares of HMB Holding AB (HMB). HMB is involved in both commercial and residential construction in Stockholm/ Mälardalen and Dalarna, Västmanland, Uppland and Gästrikland. In 2017 HMB's revenue was SEK 1,300 million with an operating margin of 7.7 %.

AF's Swedish property business has a building site inventory (residential units under construction) that is estimated to yield 485 (251) residential units. AF's share of this is 343 (151) residential units.

The order backlog for Sweden stood at NOK 1 510 million (1 502 million) as at 30 September 2018.



Janice

Offshore

MNOK	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and income	154	155	520	510	664
Earnings before financial items and tax (EBIT)	-3	12	6	39	59
Earnings before tax (EBT)	-5	10	3	32	49
Operating margin	-2.0 %	8.0 %	1.1 %	7.7 %	8.8 %
Profit margin	-3.0 %	6.5 %	0.6 %	6.3 %	7.4 %

The Offshore business area encompasses AF's services related to the removal and recycling of offshore installations, as well as new building, modification and maintenance work related to HVAC and rig services. In addition, Offshore has services related to the maintenance and modification of onshore facilities for the oil and gas industry.

The business area consists of two business units:
- AF Offshore Decom and subsidiaries
- AF AeronMollier

Offshore also has activities related to the AF Environmental Base at Vats and the maintenance and modification of onshore facilities (V & M Landanlegg).

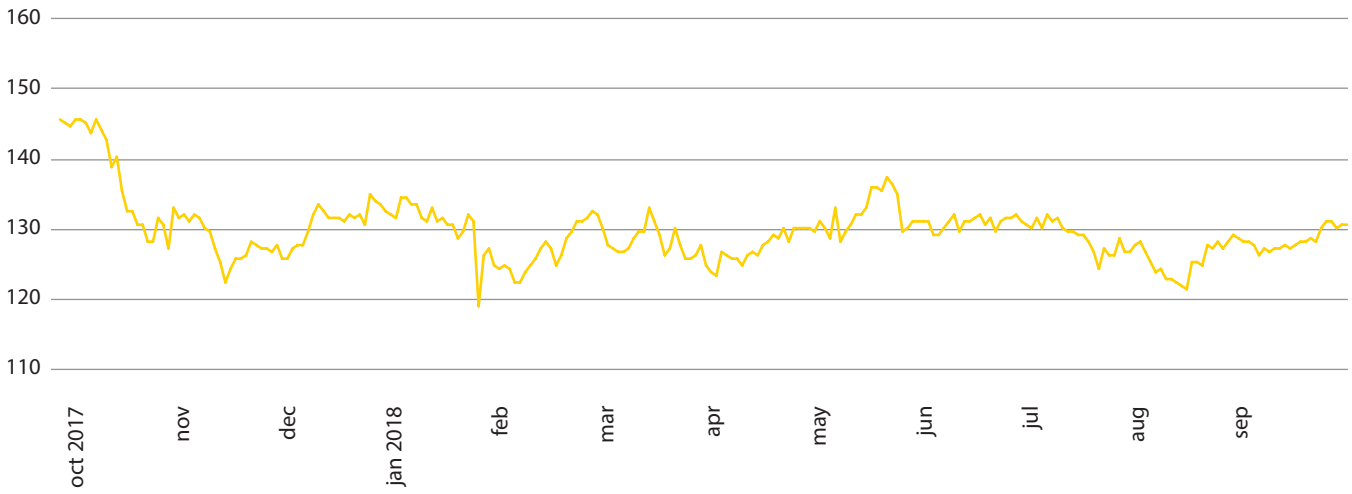
Revenues for the 3rd quarter were NOK 154 million (155 million) and earnings before tax were NOK -5 million (10 million). Revenues totalled NOK 520 million (510 million) and earnings before tax totalled NOK 3 million (32 million) year to date.

AF Offshore Decom reported a low level of activity as expected, and the unit delivered weak results. As communicated earlier, the market for the removal of offshore installations is marked by strong competition and few projects in the short term. There is no activity at the Environmental Base at Vats. The unit contracted several new projects during the autumn, but they will not be carried out before 2019 or later.

AF AeronMollier is experiencing challenging market conditions. The unit reported a stable level of activity for the 3rd quarter but delivered weak results.

The order backlog for Offshore stood at NOK 1 510 million (883 million) as at 30 September 2018.

AFG - Share price last 12 months



FINANCIAL INFORMATION

AF Gruppen shall have robust financing with respect to operational and market-related fluctuations. The company's required return on invested capital is 20%, and its financial position shall at the same time reinforce the company's growth strategy and provide an adequate dividend capacity.

Net operating cash flow was NOK 100 million (410 million) and net cash flow from investments was NOK -15 million (-67 million) for the 3rd quarter. Cash flow before capital transactions and financing was NOK 85 million (343 million) for the 3rd quarter. A dividend of NOK 489 million was distributed to AF Gruppen's shareholders in the 2nd quarter. Net operating cash flow was NOK 260 million (1 029 million) and net cash flow from investments was NOK -240 million (-314 million) year to date. Cash flow before capital transactions and financing was NOK 20 million (715 million) year to date.

AF Gruppen had net interest-bearing receivables of NOK 680 million (1 068 million) at the end of the 3rd quarter.

AF Gruppen's total financing framework is NOK 1 880 million. AF Gruppen has a credit facility of NOK 1 200 million with Danske Bank that will remain in effect until 2020. The framework also consists of a credit facility of NOK 80 million with DnB. In addition, AF has a credit facility of NOK 600 million with Handelsbanken that will be renewed annually until June 2020.

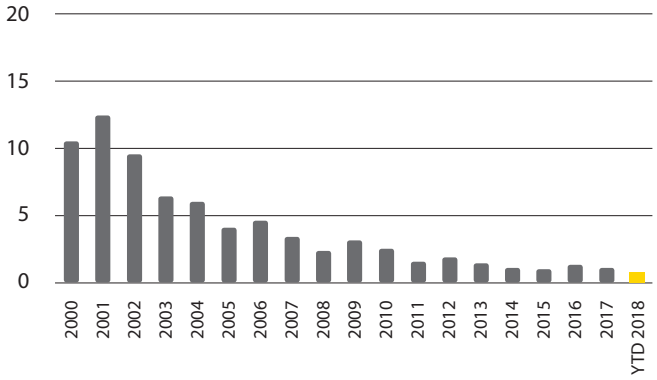
The available liquidity, including credit facilities, stood at NOK 2 373 million as at 30 September 2018.

Total assets were NOK 7 941 million (7 765 million) as at 30 September 2018. The Group's equity totalled NOK 2 056 million (2 046 million). This corresponds to an equity ratio of 25.9% (26.4%).

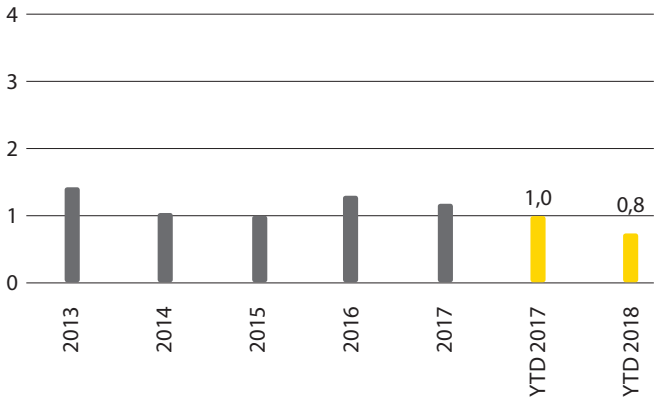
LIST OF SHAREHOLDERS AS AT 30 SEPTEMBER 2018

Name	No. shares	% share
OBOS BBL	18 066 733	18,4
ØMF Holding AS	14 782 859	15,1
Constructio AS	13 741 782	14,0
Folketrygdfondet	7 174 956	7,3
Artel II AS	2 508 267	2,6
LJM A/S	2 413 900	2,5
Landsforsakringar Fastighetsfond	1 964 154	2,0
VITO Kongsvinger AS	1 861 676	1,9
Arne Skogheim AS	1 753 870	1,8
Staavi, Bjørn	1 600 000	1,6
Ten largest shareholders	**65 868 197**	**67,2**
Total other shareholders	31 951 259	32,6
Own shares	141 544	0,1
Total number of shares	**97 961 000**	**100,0**

LTI RATE



LTI RATE DEVELOPMENT



SHARE PERFORMANCE

AF Gruppen's shares are listed on the Oslo Børs OB Match List and trade under the ticker AFG. The share is included in the Oslo Børs All Share Index (OSEAX), Benchmark Index (OSEBX) and Mutual Fund Index (OSEFX), as well as the new Oslo Børs Mid Cap Index (OSEMX).

The closing price for the AF share was NOK 130.50 as at 30 September 2018. This corresponds to a return of 1.5% to date this year, adjusted for a dividend of NOK 5.00 per share distributed in the 2nd quarter. The Oslo Børs Benchmark Index showed a return of 15.2% for the same period.

In October a total of 534 employees subscribed for a total of 1 000 000 shares in connection with AF Gruppen's share programme. The shares were subscribed for at a price of NOK 101.60 per share, which corresponds to a discount of 20% in relation to the average market price during the subscription period. The Board of Directors resolved to sell 141 544 treasury shares in this connection. In addition, 858 456 new shares were issued.

In November AF Gruppen increased its share capital in connection with the acquisition of Helgesen Tekniske Bygg AS. The capital increase was carried out as a private offering of 189 723 shares with a nominal value of NOK 0.05 at a price of NOK 126.50. The number of shares after these two new issues was 99 009 179 and the total share capital was NOK 4 950 458.95

The company's Board of Directors has been granted authority by the General Meeting to determine the dividend to be distributed in the 2nd half of the year. The Board of Directors has proposed a divided of NOK 3.50 (3.50) per share. The AF share will be listed ex-dividend on 12 November with payment to the shareholders on 20 November.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

HSE has high priority in AF Gruppen and is an integral part of the management at all levels. AF has a structured and uniform HSE system that encompasses all the projects. The working environment should be safe for everyone – including those who are employed by our subcontractors. The figures from the subcontractors are therefore included in the injury statistics.

The LTI rate is an important measurement parameter for safety work at AF. The LTI rate is defined as the number of injuries resulting in absence per million man-hours. One lost-time injuries was registered in the 3rd quarter. This gives an LTI rate (lost-time injury rate) of 0.3 (0.7) for the 3rd quarter. The LTI rate year to date in 2018 was 0.8 (1.0).

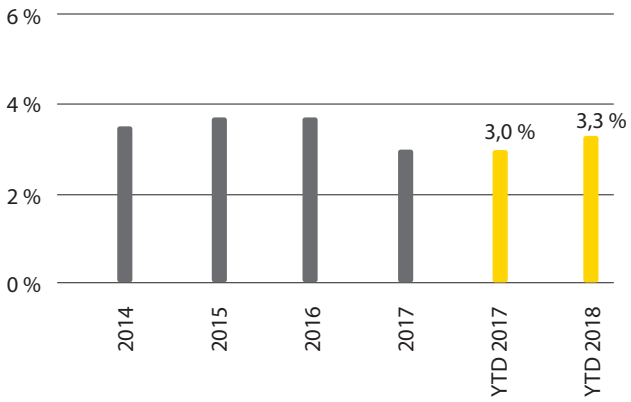
Through systematic and long-term efforts, the LTI rate has been reduced over the years. Significant resources are being invested to further improve our HSE efforts in order to be able to achieve our goal of an LTI rate of zero. Key to this work is AF's fundamental understanding and acceptance that all injuries have a cause and can, therefore, be avoided. Identifying risk and risk analysis are a key part of our preventive activities. Physical and organisational barriers are established to reduce the risk of personal injury to an acceptable level based on an assessment of the risks.

In addition to risk assessments, it is also vital to be able to learn from our mistakes. AF has systematised this through reporting and responding to undesired incidents, as well as investigating the most serious incidents. The number of reports has increased steadily during the last 14 years, and we see a clear correlation between the increased reporting of undesired incidents and the decrease in injuries.

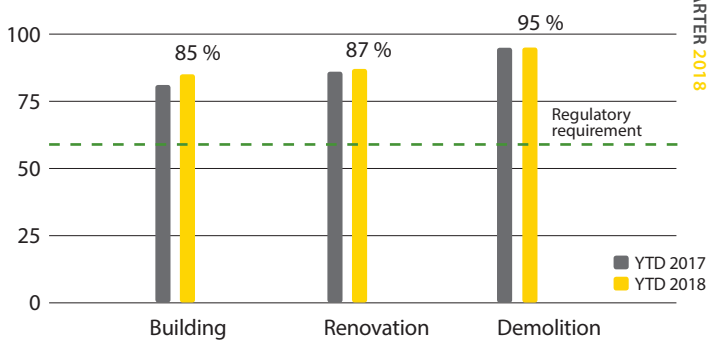
The registration of sickness absence forms the basis for the measurement of health work at AF. For the 3rd quarter, sickness absence was 3.1% (2.6%), and to date this year it was 3.3% (3.0%). AF's sickness absence is low compared to that of comparable businesses. Our target is total sickness absence of less than 3.0%, a level we believe represents a healthy situation without absence due to occupational illnesses/ injuries. Systematic efforts are being made, which consist, for example, of ongoing risk analysis of exposure that is harmful to health, the establishment of physical and organisational barriers, and close follow-up of employees on sick leave.

Environmental work has high priority throughout the entire Group. AF would like to avoid environmental damage

SICK LEAVE DEVELOPMENT



SOURCE SEPARATION RATE



and minimise undesirable effects on the environment. Environmental work is an integral part of HSE work, and the tools used are therefore the same that are used otherwise in connection with HSE work.

Follow-up of the source separation rate parameter acts as an extra driving force for AF's environmental work. This parameter places the focus on an important environmental factor that AF has an opportunity to influence. The source separation rate indicates how much of the waste from AF's operations is separated for the purpose of facilitating recycling. For the 3rd quarter, the result for building was 87% (85%), the result for renovation was 91% (85%) and the result for demolition was 96% (95%). To date in 2018, the source separation rate for building was 85% (82%), for renovation it was 87% (86%) and for demolition it was 95% (95%). These results are considered very good, and they are well above the government requirement of a minimum of 60%. A total of 77 603 (76 578) tonnes of waste has been sorted in the 3rd quarter, and a total of 200 128 (238 465) tonnes has been sorted in 2018. The environmental centres have recycled a total of 153 249 tonnes (151 049) tonnes of materials year to date.

ORGANISATION

With clear growth ambitions and a rapidly increasing order backlog, there is an increasing need for resources. Therefore, the continuous effort to build a uniform corporate culture is more important than ever. Motivated employees and a solid organisation are an important foundation for creating value. AF is experiencing a major influx of competent resources who desire to work for the company, and the number of employees has increased by 353 persons to date this year alone. At AF we are building the organisation with a robust composition of technical expertise and management capacity at all levels. The resources are organised close to production, with project teams where the managers have a major influential force.

The percentage of women in the building and civil engineering industry is far too low. This also applies to AF Gruppen, where the percentage of women is 8.4% overall and 18.4% among salaried staff. AF Gruppen has, as one of ten Norwegian companies, established cooperation with #ShesGotThis on a three-year research project. The goal is to find measures that will contribute to increasing the percentage of women at the company.

AF is also maintaining a high focus on innovation and digitalisation within our business areas. We are working in a structured manner on how new technology can contribute to increased productivity and minimise risk in our projects, contribute to a safer daily life for our employees, and not to mention create greater value for our customers. In addition, we are continuously seeking new business models on the border of or outside of our current core areas. This last year we have reinforced our efforts further by creating a corporate function for innovation and digitalisation, in addition to a joint venture fund with OBOS (Construct Venture).

AF invests a lot of time and resources in the development of employees through training in various positions in production and through development of the AF Academy. More than 80% of the current managers have been recruited internally. Our employees are good ambassadors for the recruitment of new colleagues.

AF Gruppen had a total of 4 161 (3 835) employees at the end of the 3rd quarter. Of these employees, 3 655 (3 375) were employed in Norway, 464 (441) in Sweden, 27 (5) in Lithuania, 8 (9) in China and 7 (5) in Germany.

RISK AND RISK MANAGEMENT

AF Gruppen is exposed to risk of both an operational and financial nature. AF Gruppen wants to undertake operational risk that the business units can influence and control. AF has developed risk management processes that are well adapted to our operations. Standardised, action-oriented risk management processes ensure comprehensive and coherent risk management in all parts of the organisation. AF seeks to limit exposure to risk that cannot be influenced. A risk review is conducted for all projects before a tender is even submitted. Analysis of risk during the tendering phase enables the correct pricing and management of risk in the project. The same project organisations conduct detailed risk reviews every quarter. The Corporate Management Team will participate in risk reviews of all projects with a contract value in excess of NOK 100 million. In addition, a total of 23 risk reviews in the business units, in which

the Corporate Management Team also participated, were conducted in connection with the 3rd quarter of 2018.

Financial risk encompasses market risk, credit risk and liquidity risk. Market risk includes commodity price risk, foreign exchange risk and interest rate risk. AF is exposed to foreign exchange risk, and as a major demolition and recycling operator, AF Gruppen is also exposed to fluctuations in steel prices. AF aims to have low exposure to risks that cannot be influenced, and it uses hedging instruments to mitigate the risk associated with foreign exchange rates and steel prices. AF has credit risk in relation to customers, suppliers and partners. In addition to the parent company and bank guarantees, the use of credit rating tools contributes to reducing risk. The liquidity risk is considered low. AF Gruppen has a total financing framework of NOK 1 880 million and available liquidity of NOK 2 373 million as at 30 September 2018.

MARKET OUTLOOK

The civil engineering market in Norway is good and less sensitive to cyclical fluctuations since public sector demand is the greatest driver behind investments in civil engineering in Norway. In the 2019 State Budget, NOK 73.1 billion has been allocated to transport, which is an increase of NOK 5.4 billion (7.9%) over the final budget for 2018. NOK 65.2 billion will be used to follow up the National Transport Plan 2018-2029, NOK 37.1 billion of which is for road purposes. This represents an increase of 3.3% compared with 2018. Prognosesenteret expects a high level of activity in the civil engineering market for the period from 2018 to 2019, with growth in investments of 18.7% and 16.9%, respectively. It is primarily the large road projects in Western and Central Norway that are driving growth. The higher investment estimate for transport and road projects, as well as the planned start-up of many major civil engineering projects, provide a good foundation for further growth of AF's civil engineering activities.

Figures from Property Norway for September 2018 show the residential property prices in Norway fell 1.1%. However, adjusted for seasonal variations, the prices rose 0.1%. In September, residential property prices were 2.7% higher than 12 months ago. Property Norway reported a decline in residential prices in all regions of Norway. Property Norway expects moderate residential price increases for the remainder of the year.
Prognosesenteret expects a decline of 2.8% in the building market in 2018. A decline of 9.8% is expected for new residential construction but from a very high level. New commercial buildings are expected to decline 2.1%, especially warehouse and educational buildings, as well as hotel and restaurant buildings. The expected growth in the office and administration buildings will compensate for large parts of this decline. In addition, growth of 1.5–1.8% is expected for renovation, remodelling and extension for commercial and residential buildings. Most counties will have a lower level of activity in 2018 compared with the previous year.
The Environment business area provides traditional demolition services and the subsequent receiving, treating and recycling of materials. The level of demolition activity is closely connected to the general level of activity in the building and civil engineering markets. The positive outlook for the civil engineering market in Norway and continued high level of activity in the building market is positive for the demand for services in the Environment business area. The market opportunities for the treatment of contaminated materials are huge, since the materials that were previously delivered to disposal sites can now be recycled. Overall, this provides a good foundation for further growth in AF's environmental operations.

The authorities in Norway have defined ambitious energy goals related to a reduction in the consumption of energy towards the year 2030. These goals are to be realised through a significant reduction in the consumption of energy by existing buildings compared with the current level, among other things. Enova has found that there is a major maintenance backlog for public buildings and major conservation opportunities in connection with the rehabilitation of buildings. The delivery of heating and cooling to commercial buildings is another interesting market. The demand here is connected to residential and commercial building starts. The market for energy performance contracts (EPCs) in municipalities and public enterprises is also an interesting market area. There has been a significant increase in the number of advertised energy performance contracts in recent years, and this growth is expected to continue.

Statistics Norway estimates that investments related to oil, gas and pipeline transport will amount to NOK 156 billion in 2018. This is a increase of 1.3% compared with the corresponding figures for 2017. The expected level of investment for 2019 has been estimated at NOK 165 billion. Uncertainty in the oil industry may have an impact on AF's HVAC activities, as well as on maintenance and modification. The market for the removal of offshore installations is marked by strong competition and few demolition projects to be carried out in 2018 and 2019. Estimates from the British industry organisation Oil & Gas UK indicate that more than 200 platforms must be removed fully or partially on the British, Norwegian, Danish and Dutch sectors during the period from 2017 to 2025. This represents good opportunities for AF's offshore activities related to the demolition and removal of decommissioned oil installations in the long term. For AF's offshore activities in the HVAC area, as well as maintenance and modifications, the market conditions are still challenging, but growth is expected for certain cruise and passenger vessel segments.

The residential price performance in Sweden, like Norway, has been marked by strong growth over some time now. Throughout 2017, the residential property prices also fell in Sweden. The residential market has been significantly more stable during the last half year, compared with the second


Photo: Max Emanuelsson / AF Gruppen

half of 2017. So far in 2018, the figures are slightly uplifting. In September, residential property prices rose 2%. The Swedish central bank Riksbanken points out that Sweden is showing strong economic expansion. The unemployment rate has declined to less than 6.5%, which is the lowest rate in ten years. The Swedish central bank Riksbanken expects continued high residential demand.

The Swedish Construction Federation assumes there will be declining growth of 2% in building and civil engineering investments in Sweden in 2018, after several years of high growth. Going forward, credit tightening, moderate real wage growth and rising mortgage rates are expected to result in a reduction in residential investments of 2% for 2018. The new construction market in Sweden has improved significantly in recent years, but it is expected to decline 5% in 2018. Civil engineering investments are expected to grow 6%, and they will be driven by good performance in both private and public sector civil engineering activities. Overall, a good market is expected for AF's activities in Sweden.

Oslo, 8 November 2018
Board of Directors of AF Gruppen ASA

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Financial Information

Photo: Max Emanuelsson / AF Gruppen

CONDENSED CONSOLIDATED STATEMENT OF INCOME

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Revenues and income	4 536	3 399	13 111	9 408	13 704
Subcontractors	-2 512	-1 405	-6 694	-3 907	-6 233
Cost of materials	-617	-635	-2 253	-1 798	-2 277
Payroll cost	-794	-772	-2 424	-2 084	-2 961
Operating expenses ex. depreciation and impairment	-327	-331	-986	-941	-1 256
Net gains (losses) and profit (loss) from associates	78	17	137	72	116
EBITDA	**364**	**273**	**891**	**750**	**1 092**
Depreciation and impairment of tangible fixed assets	-48	-42	-133	-122	-166
Depreciation and impairment of intagible assets	-	-1	-2	-2	-2
Earnings before financial items and tax (EBIT)	**315**	**230**	**756**	**626**	**924**
Net financial items	-2	2	7	-1	12
Earnings before tax (EBT)	**313**	**232**	**764**	**625**	**935**
Income tax expense	-58	-56	-166	-144	-181
Net income for the period	**255**	**177**	**598**	**481**	**754**
Attributable to:					
Shareholders of the parent	219	139	499	393	621
Non-controlling interests	36	37	99	87	133
Net income for the period	**255**	**177**	**598**	**481**	**754**
Earnings per share (NOK)	2,24	1,44	5,10	4,09	6,43
Diluted earnings per share (NOK)	2,24	1,44	5,10	4,09	6,43

Key figures	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
EBITDA margin	8.0 %	8.0 %	6.8 %	8.0 %	8.0 %
Operating profit margin	7.0 %	6.8 %	5.8 %	6.7 %	6.7 %
Profit margin	6.9 %	6.8 %	5.8 %	6.6 %	6.8 %
Return on capital employed (ROaCE) [1]	-	-	51.3 %	44.2 %	42.7 %
Return on equity	-	-	43,2 %	36,7 %	35,8 %
Equity ratio	25.9 %	26.4 %	25.9 %	26.4 %	26.9 %
Net interest-bearing receivables (debt) [2]	680	1 068	680	1 068	1 210
Capital employed [3]	2 162	2 173	2 162	2 173	2 198
Order backlog	18 920	20 183	18 920	20 183	19 773

[1] Return on capital employed (ROaCE) = (Earnings before tax + interest expense) / average capital employed

[2] Net interest-bearing receivables (debt) = Cash and cash equivalents + interest-bearing receivables - interest-bearing debt

[3] Capital employed = Equity + interest-bearing debt

STATEMENT OF COMPREHENSIVE INCOME

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Net income for the period	255	177	598	481	754
Net actuarial gains and losses	-	-	-	-	1
Currency translation differences minority	-	-	-3	1	2
Items that will not be reclassified to income statement in subsequent periods	**-**	**-**	**-3**	**1**	**3**
Net cash flow hedges	5	14	15	37	38
Currency translation differences majority	4	-11	-43	13	26
Items that may be reclassified to income statement in subsequent periods	**10**	**2**	**-28**	**50**	**64**
Other comprehensive income for the period	**10**	**2**	**-31**	**51**	**67**
Total comprehensive income for the period	**265**	**179**	**567**	**531**	**821**
Attributable to:					
-Shareholders of the parent	228	142	471	443	686
- Minority	37	37	96	88	135
Total comprehensive income for the period	**265**	**179**	**567**	**531**	**821**

EQUITY

NOK million	Paid-in capital	Translation differences	Actuarial pension gains/ (losses)	Cash flow hedge	Retained earnings	Attributable to shareholders	Minority	Total equity
As at 31/12/2016	**223**	**6**	**-16**	**-53**	**1 519**	**1 680**	**270**	**1 950**
Comprehensive income	-	13	-	37	393	443	88	531
Capital increase	281	-	-	-	-	281	-	281
Purchase of treasury shares	-	-	-	-	-11	-11	-	-11
Sale of treasury shares	-	-	-	-	13	13	-	13
Dividend paid	-121	-	-	-	-364	-486	-74	-560
Share-based remuneration	6	-	-	-	-	6	-	6
Put options for minority	-	-	-	-	-178	-178	-	-178
Addition of minority by aqusitions	-	-	-	-	-	-	31	31
Transactions with minority	-	-	-	-	-23	-23	6	-17
As at 30/09/2017	**388**	**19**	**-16**	**-17**	**1 349**	**1 724**	**322**	**2 046**
As at 31/12/2017	**482**	**32**	**-14**	**-15**	**1 209**	**1 693**	**384**	**2 078**
Change in accounting principles	-	-	-	-	16	16	-	16
As at 1/1/2018	**482**	**32**	**-14**	**-15**	**1 225**	**1 709**	**384**	**2 094**
Comprehensive income	-	-43	-	15	499	471	96	567
Purchase of treasury shares	-	-	-	-	-7	-7	-	-7
Sale of treasury shares	-	-	-	-	8	8	-	8
Dividend paid	-122	-	-	-	-367	-489	-111	-600
Share-based remuneration	11	-	-	-	-	11	1	12
Put options for minority	-	-	-	-	-3	-3	-	-3
Transactions with minority	-	-	-	-	-13	-13	-2	-15
As at 30/09/2018	**372**	**-11**	**-14**	**-**	**1 342**	**1 688**	**368**	**2 056**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK million	30.09.2018	30.09.2017	31.12.2017
Tangible fixed assets	1 295	1 226	1 241
Intagible assets	2 164	2 180	2 188
Investment in associates and joint ventures	420	406	363
Deferred tax asset	20	46	26
Interest-bearing receivables	279	274	216
Pension plan and other financial assets	6	6	10
Total non-current assets	**4 183**	**4 138**	**4 045**
Inventories	202	156	159
Projects for own account	16	168	186
Trade receivables and other receivables	3 030	2 382	2 216
Interest-bearing receivables	15	37	16
Derivatives	2	1	3
Cash and cash equivalents	493	883	1 098
Total current assets	**3 758**	**3 626**	**3 679**
Total assets	**7 941**	**7 765**	**7 724**
Equity attributable to sharholders of the parent	1 688	1 724	1 693
Minority interests	368	322	384
Total equity	**2 056**	**2 046**	**2 078**
Long-term interest-bearing debt	89	111	102
Retirement benefit obligations	1	1	1
Provisions	192	184	189
Deferred tax	308	283	327
Derivatives	15	20	23
Total non-current liabilities	**605**	**599**	**643**
Short-term interest-bearing debt	18	15	19
Trade payables and other short term debt	4 770	4 347	4 481
Derivatives	6	30	26
Provisions	236	312	353
Tax payable	251	414	126
Total current liabilities	**5 281**	**5 119**	**5 003**
Total liabilities	**5 886**	**5 718**	**5 646**
Total equity and liabilities	**7 941**	**7 765**	**7 724**

CONSOLIDATED CASH FLOW STATEMENT

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
Earnings before financial items and tax (EBIT)	315	230	756	626	924
Depreciation, amortisation and impairment	49	43	134	123	169
Change in net working capital	-188	147	-460	437	775
Income taxes paid	-2	-	-46	-94	-407
Other adjustments	-74	-10	-125	-63	-107
Cash flow from operating activities	**100**	**410**	**260**	**1 029**	**1 354**
Net investments	-15	-67	-240	-314	-119
Cash flow before financing activities	**85**	**343**	**20**	**715**	**1 235**
Share issue	-	-	-	232	322
Dividend paid to majority shareholders	-	-	-489	-486	-829
Dividend paid to minority	-6	-1	-111	-74	-77
Sale (purchase) of treasury shares	-	-3	-	2	-10
Borrowings (repayment of debt)	50	39	-14	40	2
Interest paid	-3	-7	-10	-13	-13
Cash flow from financing activities	**40**	**28**	**-624**	**-298**	**-604**
Net decrease (increase) in in cash and cash equivalents	**125**	**371**	**-604**	**416**	**632**
Net cash and cash equivalents at beginning of period	368	512	1 098	469	469
Change in cash and cash eqivalents without cash effect	-1	-	-1	-2	-2
Net cash and cash equivalents end of period	**493**	**883**	**493**	**883**	**1 098**

BUSINESS AREAS

AF Gruppen's division into operating segments is consistent with the division of the business areas: Civil Engineering, Environment, Building, Property, Energy, Sweden and Offshore.

Sweden has been organised as a separate business area as of 1 January 2018. The new business area consists of the units AF Härnösand Byggreturer, Kanonaden Entreprenad and subsidiaries, Pålplintar, AF Bygg Göteborg, AF Bygg Syd and AF Projektutveckling. The comparable figures for the business areas have been similarly restated.

Segment information is presented in accordance with the AF Gruppen's accounting policies in accordance with IFRS with the exception of the principles for revenue recognition for residential property development in accordance with IFRS 15. This policy exception applies to the Building and Property segments. Revenue from projects for own account in these segments is not recognised upon handover as regulated in IFRS 15, but in accordance with the degree of completion method. This means that the recognition of revenue in these projects is the product of the degree of completion, sales ratio and expected contribution margin.

Segment information is presented in accordance with reporting to the Corporate Management Team and is consistent with the financial information utilised by the Company's senior decision-makers when evaluating developments and allocating resources. The effect of the deviant application of principles on the consolidated accounts is illustrated in a separate table in the segment information. Additional information on projects for own account is provided in Note 7.

Civil engineering

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	1 469	880	4 183	2 355	3 511
Internal revenue and income	17	20	29	39	59
Total revenue and income	**1 485**	**900**	**4 212**	**2 394**	**3 569**
EBITDA	73	75	213	204	306
Earnings before financial items and tax (EBIT)	57	59	164	161	249
Earnings before tax (EBT)	**60**	**63**	**180**	**167**	**269**
EBITDA-margin	4.9 %	8.4 %	5.1 %	8.5 %	8.6 %
Operating margin	3.8 %	6.6 %	3.9 %	6.7 %	7.0 %
Profit margin	4.0 %	7.0 %	4.3 %	7.0 %	7.5 %
Assets	1 853	1 703	1 853	1 703	1 871
Order backlog	**4 619**	**6 913**	**4 619**	**6 913**	**6 082**

Environment

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	132	122	422	323	404
Internal revenue and income	10	25	28	50	70
Total revenue and income	**142**	**147**	**451**	**373**	**474**
EBITDA	14	11	42	31	45
Earnings before financial items and tax (EBIT)	11	7	30	19	28
Earnings before tax (EBT)	**10**	**6**	**29**	**18**	**27**
EBITDA-margin	10.2 %	7.2 %	9.4 %	8.2 %	9.4 %
Operating margin	7.5 %	4.5 %	6.7 %	5.0 %	5.9 %
Profit margin	7.3 %	4.4 %	6.5 %	4.9 %	5.8 %
Assets	287	226	287	226	282
Order backlog	**212**	**316**	**212**	**316**	**274**

Building

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	2 116	1 838	6 134	5 078	7 455
Internal revenue and income	34	5	82	10	19
Total revenue and income	**2 150**	**1 842**	**6 216**	**5 088**	**7 474**
EBITDA	169	144	420	355	512
Earnings before financial items and tax (EBIT)	158	134	388	323	467
Earnings before tax (EBT)	**162**	**138**	**404**	**333**	**481**
EBITDA-margin	7.9 %	7.8 %	6.8 %	7.0 %	6.8 %
Operating margin	7.3 %	7.3 %	6.2 %	6.4 %	6.3 %
Profit margin	7.6 %	7.5 %	6.5 %	6.5 %	6.4 %
Assets	4 775	3 584	4 775	3 584	4 449
Order backlog	**10 273**	**9 657**	**10 273**	**9 657**	**9 837**

Property

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	11	4	64	15	21
Internal revenue and income	-	-	-	-	-
Total revenue and income	**11**	**4**	**64**	**15**	**21**
EBITDA	84	12	145	53	78
Earnings before financial items and tax (EBIT)	82	12	143	53	78
Earnings before tax (EBT)	**79**	**8**	**134**	**42**	**64**
EBITDA-margin	-	-	-	-	-
Operating margin	-	-	-	-	-
Profit margin	-	-	-	-	-
Assets	872	823	872	823	740
Order backlog	**-**	**-**	**-**	**-**	**-**

Energy

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	64	57	180	166	235
Internal revenue and income	4	4	13	5	9
Total revenue and income	**69**	**61**	**193**	**171**	**244**
EBITDA	-	5	-1	15	21
Earnings before financial items and tax (EBIT)	-	4	-2	15	20
Earnings before tax (EBT)	**-1**	**4**	**-5**	**15**	**22**
EBITDA-margin	0.6 %	7.5 %	-0.5 %	8.8 %	8.5 %
Operating margin	0.2 %	7.2 %	-0.9 %	8.5 %	8.2 %
Profit margin	-0.9 %	7.4 %	-2.6 %	8.6 %	9.1 %
Assets	129	139	129	139	163
Order backlog	**244**	**301**	**244**	**301**	**260**

Sweden

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	474	368	1 610	1 119	1 611
Internal revenue and income	-	-	1	-	-
Total revenue and income	**475**	**368**	**1 612**	**1 119**	**1 611**
EBITDA	24	23	100	73	102
Earnings before financial items and tax (EBIT)	20	18	87	59	83
Earnings before tax (EBT)	**20**	**18**	**86**	**59**	**82**
EBITDA-margin	5.1 %	6.2 %	6.2 %	6.5 %	6.4 %
Operating margin	4.2 %	4.8 %	5.4 %	5.3 %	5.2 %
Profit margin	4.1 %	4.9 %	5.3 %	5.3 %	5.1 %
Assets	1 228	998	1 228	998	1 249
Order backlog	**1 510**	**1 502**	**1 510**	**1 502**	**1 760**

Offshore

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	153	154	518	513	665
Internal revenue and income	1	-	2	-3	-1
Total revenue and income	**154**	**155**	**520**	**510**	**664**
EBITDA	2	16	18	51	74
Earnings before financial items and tax (EBIT)	-3	12	6	39	59
Earnings before tax (EBT)	**-5**	**10**	**3**	**32**	**49**
EBITDA-margin	1.1 %	10.5 %	3.4 %	10.0 %	11.2 %
Operating margin	-2.0 %	8.0 %	1.1 %	7.7 %	8.8 %
Profit margin	-3.0 %	6.5 %	0.6 %	6.3 %	7.4 %
Assets	1 312	1 443	1 312	1 443	1 262
Order backlog	**1 510**	**883**	**1 510**	**883**	**916**

Other segments (Group)

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	6	14	17	48	34
Internal revenue and income	7	7	20	17	23
Total revenue and income	**13**	**21**	**37**	**65**	**57**
EBITDA	-1	-9	-18	-21	-18
Earnings before financial items and tax (EBIT)	-7	-12	-32	-32	-33
Earnings before tax (EBT)	**-10**	**-13**	**-40**	**-31**	**-32**
Assets	1 967	590	1 967	590	2 050
Order backlog	-	-	-	-	-

Eliminations

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	129	-6	59	-36	-47
Internal revenue and income	-73	-61	-176	-117	-177
Total revenue and income	**56**	**-66**	**-118**	**-154**	**-224**
EBITDA	14	2	8	-3	-8
Earnings before financial items and tax (EBIT)	14	2	8	-3	-8
Earnings before tax (EBT)	**14**	**2**	**8**	**-3**	**-8**
Assets	-4 353	-1 643	-4 353	-1 643	-4 236
Order backlog	**94**	**147**	**94**	**147**	**157**

GAAP adjustments

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	-18	-32	-76	-174	-187
Internal revenue and income	-	-	-	-	-
Total revenue and income	**-18**	**-32**	**-76**	**-174**	**-187**
EBITDA	-17	-5	-35	-8	-19
Earnings before financial items and tax (EBIT)	-17	-5	-35	-8	-19
Earnings before tax (EBT)	**-17**	**-5**	**-35**	**-8**	**-19**
Assets	-129	-97	-129	-97	-109
Order backlog	**457**	**463**	**457**	**463**	**486**

Segment total

NOK million	3Q 18	3Q 17	YTD 3Q 18	YTD 3Q 17	2017
External revenue and income	4 536	3 399	13 111	9 408	13 704
Internal revenue and income	-	-	-	-	-
Total revenue and income	**4 536**	**3 399**	**13 111**	**9 408**	**13 704**
EBITDA	364	273	891	750	1 092
Earnings before financial items and tax (EBIT)	315	230	756	626	924
Earnings before tax (EBT)	**313**	**232**	**764**	**625**	**935**
EBITDA-margin	8.0 %	8.0 %	6.8 %	8.0 %	8.0 %
Operating margin	7.0 %	6.8 %	5.8 %	6.7 %	6.7 %
Profit margin	6.9 %	6.8 %	5.8 %	6.6 %	6.8 %
Assets	7 941	7 765	7 941	7 765	7 724
Order backlog	**18 920**	**20 183**	**18 920**	**20 183**	**19 773**

NOTES

1. GENERAL INFORMATION

AF Gruppen is one of Norway's leading construction and industrial groups. AF Gruppen is divided into seven business areas: Civil Engineering, Environment, Building, Property, Energy, Sweden and Offshore.

AF Gruppen ASA is a public limited company registered and domiciled in Norway. The head office is located at Innspurten 15, 0663 Oslo. AF is listed on the Oslo Børs OB Match List under the ticker symbol AFG.

This summary of financial information for the 3rd quarter of 2018 has not been audited.

2. BASIS OF PREPARATION

The consolidated accounts for AF Gruppen encompass AF Gruppen ASA and its subsidiaries, joint ventures and associated companies. The consolidated financial statements for the 3rd quarter have been prepared in accordance with IAS 34 Interim Accounts. The summary of the financial information presented in the quarterly accounts is intended to be read in conjunction with the annual report for 2017, which has been prepared in accordance with the International Financial Reporting Standards (IFRS).

As a result of rounding off, the numbers or percentages will not always add up to the total.

3. CHANGES IN THE GROUP'S STRUCTURE

New segment structure

Sweden has been organised as a separate business area as of 1 January 2018. The new business area consists of the units AF Härnösand Byggreturer, Kanonaden Entreprenad and subsidiaries, Pålplintar, AF Bygg Göteborg, AF Bygg Syd and AF Projektutveckling.
The comparable figures for the business areas have been similarly restated.

Acquisition of Helgesen Tekniske Bygg AS

LAB AS, a subsidiary of AF Gruppen, carried out an agreement to acquire 70% of the shares in Helgesen Tekniske Bygg AS (HTB) on 30 October 2018. HTB is a well-run company with an excellent track record since being established as a company in 1987. The company's business concept is to guide projects from the concept phase to a finished building, and the company works closely with the customers in the project development phase. The main focus is on industrial and warehouse buildings, shopping centres and office buildings. Over the last three years, HTB has reported average revenues of NOK 335 million and an operating margin of 6.5%. The company has around 50 employees, and the head office is located at Valestrandsfossen outside of Bergen. LAB and AF completed their product line in Western Norway through the acquisition of HTB. Structural growth in Western Norway through building further on LAB's strong position is in accordance with AF's strategy. On a 100% basis, the agreed enterprise value for HTB AS was NOK 140 million and the estimated value of the shares was NOK 214 million. Settlement for the shares AF acquired consisted of 189 723 shares in AF Gruppen ASA at a price of NOK 126.50 per share, which corresponds to NOK 24 million and NOK 112 million in cash. In addition, contingent consideration of an estimated NOK 14 million has been agreed, which will be settled in 2020.

The company will be organised as a subsidiary of LAB AS, in which AF Gruppen has been the principal shareholder since the 1st quarter of 2015.

Presented is an allocation of the purchase price based on the opening balance sheet of HTB as at 1 November 2018. Allocation of the purchase price was prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated at the fair value of the assets and liabilities of HTB. The allocation is not final.

The acquisition will result in goodwill of NOK 102 million, which is linked to the geographical market position and the organisation's ability to operate profitably. None of the goodwill will be tax deductible.

NOK million	HTB
Cash consideration	112
Value of issued shares	24
Contingent consideration	14
Consideration 70 % of the the shares	**150**
Minority interests (30 % of assets and liabilities)	21
Gross consideration	**171**
Long-term interest-bearing receivable	15
Property, plant and equipment and intangible assets	11
Inventory	30
Cash and cash equivalents	64
Short-term non-interest-bearing receivables	52
Deferred tax and tax payables	-8
Current interest-bearing liabilities	-14
Trade payables and current non-interest-bearing liabilities	-81
Net identifiable assets and liabilities	**69**
Goodwill	**102**

Photo: Anne Line Bakken/AF Gruppen

Per acquisition date, the minority interests represented NOK 21 million and have been calculated as the non-controlling owners' share of the net fair value of identifiable assets and liabilities on the date of the acquisition. Goodwill is only recognised for the portion of the shares that AF acquired.

4. ACCOUNTING POLICIES

The accounting policies applied to the accounts are consistent with those described in the annual report for 2017 with the exception of the principles for revenue recognition.

New and amended accounting standards

AF Gruppen has implemented IFRS 15 Revenue Recognition in 2018. The new standard for revenue recognition replaces IAS 11, IAS 18 and IFRIC 15. IFRS 15 stipulates evaluation criteria for revenue recognition that differs from earlier standards. The key principle of IFRS 15 is that compensation that an enterprise expects to be entitled to shall be recognised as revenue based on a pattern that reflects the transfer of the goods or services to the customer. IFRS 15 introduces a new and structured five-step model for the recognition and measurement of revenues.

Projects for third-party accounts

A significant portion of AF Gruppen's business activities consists of construction and civil engineering projects. The projects are carried out most often on behalf of public and private clients based on contracts, so-called projects for third-party accounts. The characteristic feature of such contracts is that they are client financed.

Projects for third-party accounts are recognised as transferred to the customer over time, and project revenues are recognised in line with the degree of completion and the estimated transaction price for the delivery obligations.
The degree of completion of the delivery obligations is calculated as the completed production in proportion to the agreed production. Both input and output based assessments of the degree of completion are used, depending on the characteristics of the individual projects. The method for calculating the degree of completion is consistently used for the same type of contracts. An input-based calculation of the degree of completion is calculated on the basis of incurred costs on the balance sheet in proportion to the estimated total costs in the delivery obligation. An output-based calculation of the degree of completion is calculated on the basis of completed production, I.e. on completed invoiceable deliveries on the balance sheet in proportion to the agreed production in the delivery obligation. The Transaction Price in the delivery obligations includes both fixed and variable elements and is calculated using best estimate based on the contract terms and assumptions.

Revenue from the projects is only recognised when it is highly probably that a significant reversal of the recognised cumulative operating revenue will not occur. In the early stages of a project, a smaller than the proportionate share of the expected profit is recognised as revenue if the remaining risk in the project is assessed as high. In the final stages of the project, a larger share is recognised as revenue, since the expected profit can be estimated with a greater degree of certainty and there is a narrower range of outcomes in the projects. Risk adjustment is particularly relevant for civil engineering projects.

When the outcome of the project cannot be estimated reliably, only revenue equivalent to the incurred project costs will be recognised. If a loss-making project is identified, the contract will be valued in accordance with IAS 37, and a provision for losses will be made in the current period corresponding to the best estimate of the expenses that will be incurred to settle the contractual obligation.

The recognition of revenue from disputed claims, claims for additional work, change orders, incentive bonuses, etc., starts when it has been recognised that AF Gruppen's rights to the consideration are legally enforceable. Provisions are made for identified and expected warranty work.

Projects for own account

Projects for own account largely involve the development and construction of apartment buildings for sale. These are self-financed projects. An apartment building consists of many units, and the majority of the units are sold before a project starts.

In Norway the handover of projects for own account is recognised in accordance with the rights and requirements that follow from the Housing Construction Act. In accordance with the Act, a residential buyer is entitled to terminate the sales contract before completion/ handover. Thus apartments constructed in Norway on behalf of a customer are recognised as not being handed over to the customer until possession is taken. Revenue from own account projects in Norway is thus recognised upon the handover. The expenses in projects for own account are capitalised on an ongoing basis in the balance sheet as current assets until they are recognised in the income statement. The associated prepayments from customers is recognised as current liabilities.

In accordance with IFRS 15, projects for own account in Sweden are recognised on an ongoing basis based on the percentage of sales and degree of completion, which corresponds to the recognition of revenue from projects for third-party accounts. This follows from the fact that projects for own account are regarded as constructed on behalf of the customer and the transfer of the apartment is regarded as completed in line with the progress of the project. There is no corresponding right to terminate the sales contract in Sweden as there is in Norway.

The implementation of IFRS 15 entails a change in principle from previous years when revenue from projects for own account in Sweden was recognised upon handover. The effect of the change in principle has been recognised through equity. As of 1 January 2018 the effect of the change in principle that has been recognised increased equity by NOK 16 million in the Sweden segment.

Demolition work
Demolition work encompasses the demolition of buildings, oil platforms and other installations. Demolition work that is recognised to be transferred to the customer in line with the progress and is treated in accordance with the same accounting policies as for projects for third-party accounts.

Sale of plant and equipment and other revenues
Gains/losses on the sale of plant and equipment and other goods are recognised in the income statement when delivery has been made.

Financial income
Interest is recognised as income in accordance with the effective interest method.

Dividends are recognised as revenue when the shareholders' right to receive a dividend has been established by the General Meeting.

5. ESTIMATES

The preparation of the interim accounts requires the use of assessments, estimates and assumptions that have an effect on the application of accounting principles and recognised figures related to assets and commitments, revenues and costs. The estimates are based on the management's best judgement and experience, and there is some uncertainty related to the concurrence of these estimates with the actual result. Estimates and their underlying assumptions are assessed on a continuous basis. Changes in accounting estimates are recognised for the period in which the estimate is changed and for future periods if these are affected by the change in estimate.

6. TRANSACTIONS WITH RELATED PARTIES

The Group's related parties consist of associates, joint ventures, the Company's shareholders and members of the Board of Directors and Corporate Management Team. All business transactions with related parties are carried out in accordance with the arm's length principle.

7. DEVIANT APPLICATION OF PRINCIPLES IN THE SEGMENT ACCOUNTS

The segment information is presented in accordance with the Group's accounting policies in accordance with IFRS with the exception of the principles for revenue recognition for residential property development in accordance with IFRS 15. This policy exception applies to the Building and Property segments. Revenue from projects for own account in these segments is not recognised upon handover as regulated in IFRS 15, but in accordance with the degree of completion method. This means that the recognition of income in these projects is the product of the degree of completion, sales ratio and expected contribution margin. The effect of this on the consolidated accounts is illustrated in a separate table in the segment information.

The effect for the year of the deviant application of principles in the segment accounts with respect to earnings before tax is NOK -17 million (-5 million) for the 3rd quarter and NOK -35 million (-8 million) year to date. The effect on equity was NOK -123 million (-94 million), and the accumulated reversed revenues were NOK 457 million (463 million) as at 30 September 2018.

The table below shows residential housing projects for our own account that are in the production phase. Contractor values have been included in those cases where group companies are the contractor.

Project	AF's construction value ex. VAT (NOK million)	Housing units	Construction period		Ownership share AF
			Start up	Completion	
Krydderhagen C1/C2/C3, Hasle	169	84	Q3 2016	Q1 2018	50 %
Krydderhagen D1/D2/D3/D4, Hasle	355	143	Q2 2017	Q2 2019	50 %
Krydderhagen E1/E2, Hasle	222	102	Q2 2017	Q4 2018	50 %
Thurmannskogen B/C/D, Lørenskog	220	96	Q4 2015	Q4 2017/Q1 2018	33 %
Thurmannskogen F/G, Lørenskog	150	72	Q3 2016	Q3 2018	33 %
Thurmannskogen H/J/K, Lørenskog	139	75	Q2 2017	Q2 2019	33 %
Thurmannskogen C/R, Lørenskog	67	11	Q2 2018	Q2 2019	33 %
Lillo Gård Haugen, Nydalen	563	162	Q1 2017	Q2 2019	25 %
Lillo Gård Lunden A/B og C/D, Nydalen	630	107	Q1 2017	Q2/Q4 2019	25 %
Lillo Gård Lunden C/D, Nydalen	600	133	Q1 2017	Q2 2020	25 %
Nye Kilen Brygge, Sandefjord	224	80	Q1 2018	Q1 2020	50 %
Skiparviken, Bergen	324	129	Q2 2018	Q2 2021	50 %

Photo: Ellen Johanne Jarli / AF Gruppen

COMPANY INFORMATION

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Company's Board of Directors

Pål Egil Rønn, *Board Chairman*
Arne Baumann
Borghild Lunde
Hege Bømark
Kristian Holth
Kenneth Svendsen
Hilde Wikesland Flaen
Arne Sveen
Gunnar Bøyum, *alternate member*

Corporate Management

Morten Grongstad, *CEO*
Sverre Hærem, *CFO*
Arild Moe, *EVP Civil Engineering*
Henning Olsen, *EVP Construction*
Andreas Jul Røsjø, *EVP Property and Energy*
Amund Tøftum, *EVP Offshore*
Eirik Wraal, *EVP Environment and Social responsibility*
Bård Frydenlund, *EVP HR and Sweden*

Financial calendar

Presentation of interim accounts:

09/11/2018 Interim report 3rd quarter 2018
15/02/2019 Interim report 4th quarter 2018
15/05/2019 Interim report 1st quarter 2019
23/08/2019 Interim report 2nd quarter 2019
08/11/2019 Interim report 3rd quarter 2019

The presentation of interim accounts will take place at Hotel Continental, Stortingsgata 24-26, at 8:30 a.m.

For more information on the company, visit our web site at www.afgruppen.no

Construction works in Bjørvika. Photo: AF Gruppen

OPERATIONAL STRUCTURE

AF GRUPPEN

Civil Engineering

- AF Anlegg
  - *JR Anlegg*
- Målselv Maskin & Transport

Environment

- AF Decom
  - *Jølsen Miljøpark*
  - *Rimol Miljøpark*

Building

- AF Byggfornyelse
- AF Bygg Oslo
- AF Bygg Østfold
- AF Nybygg
- LAB
  - *LAB Entreprenør*
  - *FAS*
  - *Åsane Byggmester-forretning*
- MTH
  - *Kirkestuen*
  - *Lasse Holst*
  - *Thorendahl*
  - *VD Vindu og Dør Montasje*
  - *Oslo Stillasutleie*
  - *Storo Blikk*
  - *Oslo Prosjektbygg*
- EIQON
  - *EIQON Anlegg*
  - *EIQON Betongbygg*
  - *EIQON Nybygg*
- Strøm Gundersen
  - *Strøm Gundersen*
  - *Strøm Gundersen Vestfold*
  - *Consolvo*
  - *Haga & Berg Entreprenør*

Property

- AF Eiendom
- LAB Eiendom

Energy

- AF Energi & Miljøteknikk
  - *AF Energija Baltic UAB*
  - *Boligenergi*

Sweden

- Kanonaden
  - *Kanonaden Entreprenad*
  - *Kanonaden Mälardalen*
  - *Bergbolaget i Götaland*
- Pålplintar
- AF Bygg Göteborg
- AF Bygg Syd
- AF Projektutveckling
- AF Härnösand Byggreturer

Offshore

- AF Offshore Decom
  - *AF Offshore Decom UK Ltd.*
  - *AF Miljøbase Vats*
- AF AeronMollier
  - *Aeron Energy Tech. Co*